

PELLA COMMUNITY SCHOOL DISTRICT  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2009



## TABLE OF CONTENTS

Officials		<u>Page</u> 2
Independent Auditor's Report		3-4
Management's Discussion and Analysis (MD&A)		5-14
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	16-17
Statement of Activities	B	18-21
Governmental Funds Financial Statements:		
Balance Sheet	C	22
Reconciliation of the Balance Sheet -		
Governmental Funds to the Statement of Net Assets	D	23
Statement of Revenues, Expenditures and Changes in Fund Balances	E	24-25
Reconciliation of the Statement of Revenues, Expenditures and Changes		
in Fund Balances - Governmental Funds To the Statement of Activities	F	26
Proprietary Funds Financial Statements:		
Statement of Net Assets	G	27
Statement of Revenues, Expenses and Changes in Net Assets	H	28
Statement of Cash Flows	I	29
Fiduciary Funds Financial Statements:		
Statement of Fiduciary Net Assets	J	30
Statement of Changes in Fiduciary Net Assets	K	31
Notes to Financial Statements		32-46
Required Supplementary Information:		
Schedule of Funding Progress for the Retiree Health Plan		48
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in		
Balances - Budget and Actual - All Governmental Funds		49
and Proprietary Funds		50
Notes to Required Supplementary Information - Budgetary Reporting		
Other Supplementary Information:	<u>Schedule</u>	
Non-major Governmental Funds:		
Combining Balance Sheet	1	52
Combining Schedule of Revenues, Expenditures and		
Changes in Fund Balances	2	53-54
Proprietary Funds:		
Combining Statement of Net Assets	3	55
Combining Statement of Revenues, Expenses and Changes		
in Fund Net Assets	4	56
Combining Statement of Cash Flows	5	57-58
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	6	59-60
Schedule of Revenues by Source and Expenditures by Function -		
All Governmental Funds	7	61
Schedule of Expenditures of Federal Awards	8	62
Independent Auditor's Report on Internal Control over Financial Reporting		
and on Compliance and Other Matters Based on an Audit of Financial		
Statements Performed in Accordance with <i>Government Auditing Standards</i>		63-64
Independent Auditor's Report on Compliance with Requirements Applicable		
to Each Major Program and on Internal Control over Compliance		
in Accordance with OMB Circular A-133		65-66
Schedule of Findings and Questioned Costs		67-70

**PELLA COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b> (Before September, 2008 Election)		
Ivan Vos	President	2008
Myron Linn	Vice President	2009
Jennifer Palmer	Board Member	2008
Joan Corbin	Board Member	2010
Marv Van Wyk	Board Member	2010

**Board of Education**  
(After September, 2008 Election)

Marv Van Wyk	President	2011*
Joan Corbin	Vice President	2009*
Myron Linn	Board Member	2009
Jennifer Palmer	Board Member	2011
Chad Ver Steeg	Board Member	2011

**School Officials**

Mark Wittmer	Superintendent	2009
Jon E. Miller	District Secretary/Treasurer	2009
Ron Peeler	Attorney	Indefinite

\* Board term extended and reduced per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.



### Independent Auditor's Report

To the Board of Education of  
Pella Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Pella Community School District, Pella, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Pella Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2009 on our consideration of Pella Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Schedule of Funding Progress for the Retiree Health Plan and Budgetary Comparison Information on pages 5 through 14 and 48 through 50 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pella Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8, including the accompanying Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

November 9, 2009

# Management's Discussion and Analysis

The Pella Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

## Financial Highlights

- The October, 2007 enrollment count showed an increase of 6.5 students. This resulted in new money of \$502,988 for 2008-2009, which was an increase of 4.30%.
- General Fund revenues for FY09 were \$18,187,978 compared to \$16,933,138 for FY08. This was an increase of \$1,254,840, or 7.41%.
- General Fund expenditures for FY09 were \$17,634,752 compared to \$17,106,773 for FY08. This was an increase of \$527,979, or 3.08%.
- The District's General Fund undesignated, unreserved fund balance for FY09 was \$1,683,869 compared to \$1,270,510 for FY08. This was an increase of \$413,359. Recovery of our prior special education deficit, along with the shifting of transportation vehicle purchases from the General Fund to the Physical Plant & Equipment Levy were contributing factors to this increase.
- The Financial Solvency Ratio is an accepted measure of the district's financial health and is calculated by taking the undesignated, unreserved fund balance divided by the total revenues. This ratio increased from 7.5% in FY08 to 9.3% in FY09. The District attempts to target a solvency ratio of 5% to 10%.
- General Fund interest income for FY09 was \$29,053 compared to \$121,450 for FY08 and \$207,302 for FY07.
- The District ended FY09 with a special education deficit of \$210,092. This compares to \$379,855 for FY08, a reduction of \$169,763. ARRA federal stimulus funds of \$69,558 were used to help reduce this deficit.
- A \$1,047,740 energy systems project, a \$1,304,000 addition to our high school and nearly a \$2,000,000 athletic complex improvement project are at or near completion. These projects are all being funded through our local option sales tax money.
- An eight year comparison of the District's assessed valuations, tax increment financing and total tax rates are as follows:

Year	Assessed Valuation	Tax Increment Financing	Total Tax Rate - %
2008-2009	\$ 551,197,053	58,983,585	13.84418
2007-2008	478,010,818	72,596,699	13.88073
2006-2007	470,138,907	68,740,308	13.41259
2005-2006	463,535,140	66,071,157	13.52362
2004-2005	458,097,534	65,307,399	13.57896
2003-2004	477,138,783	60,053,193	13.31915
2002-2003	470,594,593	46,139,452	13.15690
2001-2002	442,301,775	31,155,430	13.66552

The assessed valuation for the 2004-2005 school year dropped due to the state imposed agriculture rollback.

## Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the short term as well as what remains for future spending.
- The statements for *proprietary funds* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- The statements for *fiduciary funds* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

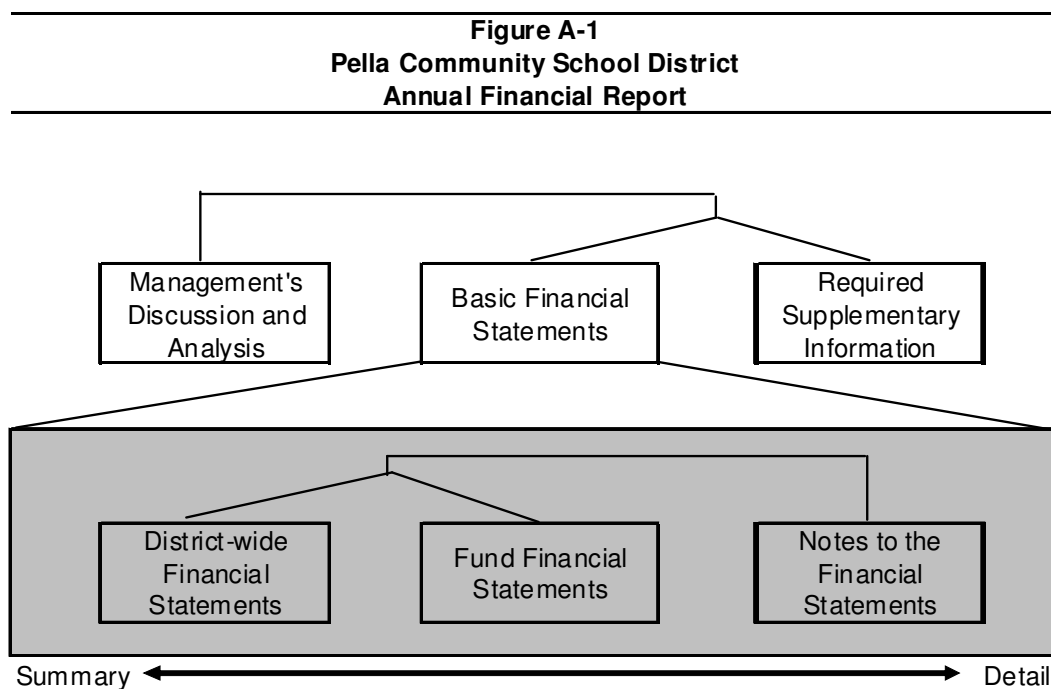




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b> <b>Major Features of the District-wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as the special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet Statement of revenues, expenditures, and changes in fund balances	* Statement of revenues, expenses and changes in net assets * Statement of cash flows	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year; or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid
Common names of district funds included	All funds with the exception of scholarship funds	General, PPEL, Management, Student Activity, Debt Service, Capital Projects	Nutrition Fund, Community Services	Special Projects

## District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school food service program would be included here.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

*Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental fund statements explains the relationship or differences between the two statements. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

*Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

*Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

## Financial Analysis of the District as a Whole

**Net assets** – Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2009 compared to 2008.

<b>Figure A-3 Condensed Statement of Net Assets</b>							
	<b>Governmental Activities</b>		<b>Business type activities</b>		<b>Total</b>		<b>Total Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2008-09</b>
Current assets	\$ 17,218,893	13,729,591	267,871	147,034	17,486,764	13,876,625	26.0%
Noncurrent assets	30,655,942	29,961,042	251,122	284,572	30,907,064	30,245,614	2.2%
Total assets	47,874,835	43,690,633	518,993	431,606	48,393,828	44,122,239	9.7%
Current liabilities	12,883,668	10,889,060	22,810	17,910	12,906,478	10,906,970	18.3%
Noncurrent liabilities	16,662,858	15,965,295	7,147	-	16,670,005	15,965,295	4.4%
Total liabilities	29,546,526	26,854,355	29,957	17,910	29,576,483	26,872,265	10.1%
Net assets:							
Invested in capital assets, net of related debt	12,825,942	13,036,042	251,122	284,572	13,077,064	13,320,614	-1.8%
Restricted	3,756,642	2,501,589	-	-	3,756,642	2,501,589	50.2%
Unrestricted	1,745,725	1,298,647	237,914	129,124	1,983,639	1,427,771	38.9%
Total net assets	\$ 18,328,309	16,836,278	489,036	413,696	18,817,345	17,249,974	9.1%

The District's combined net assets increased by 9.1% from \$17,249,974 to \$18,817,345.

**Changes in net assets** – Figure A-4 shows the changes in net assets for the year ended June 30, 2009

<b>Figure A-4 Changes in Net Assets</b>							
	<b>Governmental activities</b>		<b>Business type activities</b>		<b>Total District</b>		<b>Total Change</b>
	<b>Year ended June 30,</b>		<b>Year ended June 30,</b>		<b>Year ended June 30,</b>		<b>June 30,</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2008-09</b>
<b>Revenues:</b>							
Program revenues:							
Charges for services	\$ 1,304,938	1,111,495	747,679	685,437	2,052,617	1,796,932	14.23%
Operating grants and contributions	3,015,482	2,398,632	309,602	299,092	3,325,084	2,697,724	23.26%
General Revenues:							
Local taxes	8,462,422	8,759,431	-	-	8,462,422	8,759,431	-3.39%
Statewide sales and services tax	1,462,011	-	-	-	1,462,011	-	100.00%
Local option sales and services tax	-	1,306,180	-	-	-	1,306,180	-100.00%
Unrestricted state grants	8,190,357	8,398,644	-	-	8,190,357	8,398,644	-2.48%
Investment earnings	51,233	194,730	1,551	6,253	52,784	200,983	-73.74%
Other	248,853	658,017	-	-	248,853	658,017	-62.18%
Total revenues	22,735,296	22,827,129	1,058,832	990,782	23,794,128	23,817,911	-0.10%
<b>Expenses:</b>							
Program expenses:							
Instruction	13,345,527	12,302,875	-	-	13,345,527	12,302,875	8.47%
Support services - students & staff	1,202,609	1,212,773	-	-	1,202,609	1,212,773	-0.84%
Support services - administration	1,751,695	1,500,206	-	-	1,751,695	1,500,206	16.76%
Operations and maintenance	1,906,699	1,877,102	-	-	1,906,699	1,877,102	1.58%
Transportation	1,269,613	1,168,169	-	-	1,269,613	1,168,169	8.68%
Non-instructional activities	1,767,122	1,729,573	983,492	979,196	2,750,614	2,708,769	1.54%
Total expenses	21,243,265	19,790,698	983,492	979,196	22,226,757	20,769,894	7.01%
Excess of revenues over expenses before transfers	1,492,031	3,036,431	75,340	11,586	1,567,371	3,048,017	-48.58%
Transfers	-	(52,847)	-	52,847	-	-	0.00%
Change in net assets	\$ 1,492,031	2,983,584	75,340	64,433	1,567,371	3,048,017	-48.58%

## Governmental Activities

Local taxes and unrestricted state grants account for 73.2 percent of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 91.7 percent of the total expenses.

Revenues for governmental activities were \$22,735,296 and expenses were \$21,243,265, resulting in a net asset increase of \$1,492,031.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5</b>		
<b>Total and Net Cost of Governmental Activities</b>		
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Instruction	\$13,345,527	9,980,506
Support services	6,130,616	5,956,390
Non-instructional programs	53,078	53,078
Other expenses	1,714,044	932,871
Totals	<u>\$21,243,265</u>	<u>16,922,845</u>

- The cost financed by users of the District's programs was \$1,304,938.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$3,015,482.
- The net cost of governmental activities was financed with \$8,462,422 in local taxes, \$8,190,357 in unrestricted state grants, \$1,462,011 in local option sales and services tax, \$51,233 in interest income and \$248,853 in other income.

## Business-Type Activities

Revenues of the District's business-type activities were \$1,058,832 and expenses were \$983,492. The District's business-type activities include Families First and the School Nutrition Fund. The School Nutrition Fund, however, accounts for 95.7 percent of the business-type activity. Revenues of these activities were comprised of \$747,679 in charges for service, \$309,602 for federal and state reimbursements and investment income of \$1,551. The net assets for business-type activities increased by \$75,340.

## Financial Analysis of the District's Funds

As previously noted, the Pella Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$5,912,804. This compares to \$4,126,888 last year, an increase of \$1,785,916.

## Governmental Fund Highlights

- The General Fund balance increased from \$1,604,523 to \$2,157,750, an increase of \$553,227.
- The Activity Fund balance increased from \$150,730 to \$182,076, an increase of \$31,346.
- The Management Fund balance increased \$91,019, from \$143,432 to \$234,451.

- The Physical Plant & Equipment Levy (PPEL) Fund balance increased \$178,711, from \$332,647 to \$511,358.
- The Capital Projects Fund balance increased \$928,441, from \$1,800,390 to \$2,728,831. The district issued revenue bonds in the amount of \$2,135,000 during FY09 for major renovations to our high school athletic complex. The School Infrastructure Local Option Sales Tax generated \$1,462,011. We receive money from Jasper, Mahaska and Marion Counties. Interest income was \$18,449.
- The Debt Service Fund increased \$3,172, from \$95,166 to \$98,338. Three of our four outstanding general obligation bond issues were refunded during FY09 in the amount of \$3,035,000. School Infrastructure Local Option Sales Taxes are used to maintain a debt service levy of \$2.24/\$1,000 or less, which was the amount in place when our most recent bond issue was passed.

### **Proprietary Fund Highlights**

The District's Proprietary Funds include the School Nutrition Fund and Families First.

- The School Nutrition Fund net assets increased \$72,800, from \$404,262 to \$477,062.
- Families First is a community services oriented program. The revenues and expenditures of this program also run through the District's financial accounting records. This program is dependent upon contributions, grants and some user fees for its operation. The balance in this fund increased \$2,540, from \$9,434 to \$11,974.

## **Budgetary Highlights**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on page 49.

### **Legal Budgetary Highlights**

The District's total actual receipts were \$321,347 more than the total budgeted receipts, a variance of 1.4%. Total expenditures were \$1,005,520 less than the amended budget, a variance of 3.6%.

## Capital Asset and Debt Administration

### Capital Assets

At June 30, 2009, the District had invested \$30,907,064, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, musical instruments, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$1,287,516.

Figure A-6 Capital Assets, net of Depreciation							
	Governmental Activities		Business Type activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-09
Land	\$ 1,690,900	1,690,900	-	-	1,690,900	1,690,900	0.0%
Construction in progress	1,595,020	23,215	-	-	1,595,020	23,215	6770.6%
Buildings	24,850,557	25,534,727	-	-	24,850,557	25,534,727	-2.7%
Improvements other than buildings	984,909	1,028,257	-	-	984,909	1,028,257	-4.2%
Furniture and equipment	1,534,556	1,683,943	251,122	284,572	1,785,678	1,968,515	-9.3%
Totals	\$ 30,655,942	29,961,042	251,122	284,572	30,907,064	30,245,614	2.2%

The original cost of the District's capital assets was \$48,763,423. Governmental funds account for \$47,799,224 with the remaining \$964,199 in the School Nutrition Fund.

The District had construction in progress of \$1,595,020 at the end of FY09. This included work in progress on a district-wide energy efficiency project, an addition to our high school, a parking lot at the high school, work on a major renovation to the district's athletic complex and continued technology upgrades at all of our buildings.

### Long-Term Debt

At June 30, 2009, the District had \$18,287,758 in general obligation bonds and other long-term debt. This is an increase of \$937,863 from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

Figure A-7 Outstanding Long-Term Obligations			
	June 30,		
	2009	2008	Change
General obligation bonds	\$ 14,745,000	15,805,000	-6.7%
Revenue bonds	3,085,000	1,120,000	175.4%
Early retirement	382,972	432,041	-11.4%
Other postemployment benefits	74,786	-	100.0%
Totals	\$ 18,287,758	17,357,041	5.4%

The District had total outstanding bonded indebtedness at June 30, 2009 of \$14,745,000. This represents two separate bond issues, one of which will be retired in FY13 and the other in FY25. The District also has two outstanding revenue bond issues totaling \$3,085,000 as of June 30, 2009. Both of those issues will be retired in FY14.

The District also has a long-term debt obligation for its early retirement plan, which was \$382,972 at June 30, 2009. Retiring employees are currently allowed to receive payments until they reach age 65. This obligation is paid from the District's Management Fund. Other post employment benefits total \$74,786.

## **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Without a doubt, the major area of concern is the Governor's 10% across-the-board cut announced in mid-October, 2009. This will reduce funding for the 2009-2010 school year by \$994,919. Unfortunately, the district has little opportunity to react to this funding cut as salaries and benefits are already set by contract and much of our discretionary spending has already taken place prior to the school year starting. This leaves us with minimal opportunity to adjust expenditures to align with the reduced revenues. It would appear that our fund equity position will be reduced significantly by the close of FY10. The good news is that we have enough money on hand to cover this cut, but significant expenditure reductions will have to be made for the 2010-2011 school year. Planning is already underway to review potential expenditure reductions and to prioritize them in a way to have the least amount of impact on student instruction.
- We are nearing completion of our energy systems upgrade that should significantly reduce our energy costs in the future.
- The District's "Green Committee" continues to look for ways to become more environmentally friendly by recycling and reducing consumption. We are looking at an innovative roof replacement system that results in less material being taken to the local landfill. We are also considering LED lighting for our parking lots and continue to look into wind energy as a possibility for the District.
- We now know that our October, 2009 enrollment increased by 20.42 students. These students will provide funding for the 2010-2011 school year. This enrollment growth should provide additional new money for 2010-2011. The exact amount of this new money, however, may be dependent upon the Legislature. Our enrollment growth certainly puts us in a more favorable financial position as our school aid formula is student driven.
- The District's transportation fleet remains in good shape overall. Each year, either two busses or one bus and a support vehicle are purchased to keep the fleet updated. In the past, the General Fund has been the source of revenue for these purchases. However, beginning with FY09, these expenditures were shifted to the Physical Plant & Equipment Levy Fund.
- Pella is home to the corporate headquarters of Pella Corporation and Vermeer Manufacturing. The current economic recession has affected both companies with reduced workers' hours and reduced overall total workforce. There does seem to be some glimmer of hope that the worst is over as hours are scheduled to increase in the very near future. The property tax base still remains solid at this point and housing starts continue, though not as strong as in the past. We may see a negative impact regarding our income surtax dollars.
- The Pella Community School District is very unique in that it does not have a collective bargaining agreement with its teachers. There continues to be a very amicable relationship between management and labor.
- In a nutshell, the 2009-2010, 2010-2011 and 2011-2012 school years will be financially challenging. Pella, however, is positioned reasonably well to withstand these upcoming challenges. Our approach will be to view these challenges as opportunities. We now have the opportunity to take a close look at the way we do business and see if there is a better way to accomplish our mission more efficiently.

## **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jon E. Miller, Board Secretary / Business Manager, Pella Community School District, 210 E. University, P.O. Box 468, Pella, Iowa, 50219.

**PELLA COMMUNITY SCHOOL DISTRICT**



## **Basic Financial Statements**

PELLA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2009

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 7,363,662	230,327	7,593,989
Receivables:			
Property tax:			
Delinquent	52,866	-	52,866
Succeeding year	8,446,089	-	8,446,089
Accounts	8,013	-	8,013
Due from other governments	1,166,841	-	1,166,841
Inventories	46,008	32,124	78,132
Prepaid expense	135,414	5,420	140,834
Total current assets	17,218,893	267,871	17,486,764
Noncurrent assets:			
Capital assets, nondepreciable	3,285,920	-	3,285,920
Capital assets, depreciable, net	27,370,022	251,122	27,621,144
Total noncurrent assets	30,655,942	251,122	30,907,064
<b>Total assets</b>	<b>\$ 47,874,835</b>	<b>518,993</b>	<b>48,393,828</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	\$ 840,624	4,706	845,330
Salaries and benefits payable	1,282,119	17,224	1,299,343
Accrued interest payable	54,221	-	54,221
Unearned revenue:			
Succeeding year property tax	8,446,089	-	8,446,089
Other	572,357	-	572,357
General obligation bonds payable	985,000	-	985,000
Revenue bonds payable	475,000	-	475,000
Early retirement	164,900	-	164,900
Compensated absences	63,358	880	64,238
Total current liabilities	12,883,668	22,810	12,906,478
Noncurrent liabilities:			
General obligation bonds payable	13,760,000	-	13,760,000
Revenue bonds payable	2,610,000	-	2,610,000
Early retirement	218,072	-	218,072
Other post employment benefits	74,786	7,147	81,933
Total noncurrent liabilities	16,662,858	7,147	16,670,005
<b>Total liabilities</b>	<b>29,546,526</b>	<b>29,957</b>	<b>29,576,483</b>

PELLA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2009

	Governmental Activities	Business Type Activities	Total
<b>Net assets</b>			
Invested in capital assets, net of related debt	12,825,942	251,122	13,077,064
Restricted for:			
Categorical funding	92,459	-	92,459
Management levy	16,379	-	16,379
Physical plant and equipment levy	511,358	-	511,358
Other special revenue	182,076	-	182,076
Capital projects	2,340,331	-	2,340,331
Debt service	432,617	-	432,617
Purpose restricted	181,422	-	181,422
Unrestricted	1,745,725	237,914	1,983,639
<b>Total net assets</b>	<b>18,328,309</b>	<b>489,036</b>	<b>18,817,345</b>
<b>Total liabilities and net assets</b>	<b>\$ 47,874,835</b>	<b>518,993</b>	<b>48,393,828</b>

See notes to financial statements.

PELLA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

	Program Revenues		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs</b>			
Governmental activities:			
Instruction:			
Regular instruction	\$ 8,640,567	446,528	1,526,803
Special instruction	2,397,921	297,818	501,169
Other instruction	2,307,039	549,772	42,931
	<u>13,345,527</u>	<u>1,294,118</u>	<u>2,070,903</u>
Support Service:			
Student services	467,618	-	-
Instructional staff services	734,991	-	-
Administration services	1,751,695	-	-
Operating and maintenance of plant services	1,906,699	10,820	163,406
Transportation services	1,269,613	-	-
	<u>6,130,616</u>	<u>10,820</u>	<u>163,406</u>
Non-instructional programs	<u>53,078</u>	-	-
Other expenditures:			
Facilities acquisition	43,505	-	-
Long-term debt interest	765,721	-	-
AEA flowthrough	781,173	-	781,173
Depreciation (unallocated)*	123,645	-	-
	<u>1,714,044</u>	-	<u>781,173</u>
Total governmental activities	21,243,265	1,304,938	3,015,482
Business type activities:			
Non-instructional programs:			
Community services	55,407	32,051	25,896
Nutrition services	928,085	715,628	283,706
Total business type activities	<u>983,492</u>	<u>747,679</u>	<u>309,602</u>
Total primary government	<u>\$ 22,226,757</u>	<u>2,052,617</u>	<u>3,325,084</u>

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(6,667,236)	-	(6,667,236)
(1,598,934)	-	(1,598,934)
(1,714,336)	-	(1,714,336)
(9,980,506)	-	(9,980,506)
(467,618)	-	(467,618)
(734,991)	-	(734,991)
(1,751,695)	-	(1,751,695)
(1,732,473)	-	(1,732,473)
(1,269,613)	-	(1,269,613)
(5,956,390)	-	(5,956,390)
(53,078)	-	(53,078)
(43,505)	-	(43,505)
(765,721)	-	(765,721)
-	-	-
(123,645)	-	(123,645)
(932,871)	-	(932,871)
(16,922,845)	-	(16,922,845)
-	2,540	2,540
-	71,249	71,249
-	73,789	73,789
(16,922,845)	73,789	(16,849,056)

PELLA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2009

	Program Revenues		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Totals continued from previous pages</b>	<b>\$ 22,226,757</b>	<b>2,052,617</b>	<b>3,325,084</b>
General Revenues:			
Property tax levied for:			
General purposes			
Debt service			
Capital outlay			
Statewide sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Contributions not restricted to specific programs			
Other			
 Total general revenues			
 Change in net assets			
 Net assets beginning of year, as restated			
 Net assets end of year			

\*This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
(16,922,845)	73,789	(16,849,056)
6,559,023	-	6,559,023
1,293,130	-	1,293,130
610,269	-	610,269
1,462,011	-	1,462,011
8,190,357	-	8,190,357
51,233	1,551	52,784
117,725	-	117,725
131,128	-	131,128
18,414,876	1,551	18,416,427
1,492,031	75,340	1,567,371
16,836,278	413,696	17,249,974
\$ 18,328,309	489,036	18,817,345

PELLA COMMUNITY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

	General	Debt Service	Capital Projects	Non-major Governmental	Total
<b>Assets</b>					
Cash and pooled investments	\$ 3,012,700	89,985	3,141,999	1,118,978	7,363,662
Receivables:					
Property tax:					
Current year delinquent	37,338	8,333	-	7,195	52,866
Succeeding year	6,172,305	1,136,046	-	1,137,738	8,446,089
Accounts	2,402	-	-	5,611	8,013
Due from other governments	1,032,292	20	134,511	18	1,166,841
Inventories	46,008	-	-	-	46,008
Prepaid expenses	135,414	-	-	-	135,414
<b>Total assets</b>	<b>\$ 10,438,459</b>	<b>1,234,384</b>	<b>3,276,510</b>	<b>2,269,540</b>	<b>17,218,893</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 254,337	-	547,679	38,608	840,624
Salaries and benefits payable	1,281,710	-	-	409	1,282,119
Early retirement payable	-	-	-	164,900	164,900
Deferred revenue:					
Succeeding year property tax	6,172,305	1,136,046	-	1,137,738	8,446,089
Other	572,357	-	-	-	572,357
Total liabilities	8,280,709	1,136,046	547,679	1,341,655	11,306,089
Fund balances:					
Reserved for:					
Inventories	46,008	-	-	-	46,008
Prepaid expense	135,414	-	-	-	135,414
State grants	92,459	-	-	-	92,459
Debt service	-	98,338	388,500	-	486,838
Unreserved:					
Designated for special purposes by the Board	200,000	-	-	-	200,000
Undesignated	1,683,869	-	2,340,331	927,885	4,952,085
Total fund balances	2,157,750	98,338	2,728,831	927,885	5,912,804
<b>Total liabilities and fund balances</b>	<b>\$ 10,438,459</b>	<b>1,234,384</b>	<b>3,276,510</b>	<b>2,269,540</b>	<b>17,218,893</b>

See notes to financial statements.



PELLA COMMUNITY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
June 30, 2009

**Total fund balances of governmental funds (Exhibit C)** \$ 5,912,804

***Amounts reported for governmental activities in the  
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 30,655,942

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (54,221)

Long-term liabilities, including bonds payable and early retirement, compensated absences, and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (18,186,216)

**Net assets of governmental activities (Exhibit A)** \$ 18,328,309

See notes to financial statements.

## Exhibit E

PELLA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 Year ended June 30, 2009

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Revenues:					
Local sources:					
Local tax	\$ 6,083,907	1,293,130	1,462,011	1,085,385	9,924,433
Tuition	614,100	-	-	-	614,100
Other	242,818	699	18,449	686,729	948,695
Intermediate sources	41,897	-	-	-	41,897
State sources	10,488,091	487	-	427	10,489,005
Federal sources	717,166	-	-	-	717,166
Total revenues	18,187,979	1,294,316	1,480,460	1,772,541	22,735,296
Expenditures:					
Current:					
Instruction:					
Regular instruction	7,815,223	-	-	237,296	8,052,519
Special instruction	2,332,868	-	-	-	2,332,868
Other instruction	1,662,214	-	-	611,050	2,273,264
	11,810,305	-	-	848,346	12,658,651
Support services:					
Student services	410,843	-	-	1,160	412,003
Instructional staff services	660,572	-	-	696	661,268
Administration services	1,485,097	-	-	252,776	1,737,873
Operation and maintenance of plant services	1,654,415	-	-	155,446	1,809,861
Transportation services	832,347	-	157,957	40,863	1,031,167
	5,043,274	-	157,957	450,941	5,652,172
Other expenditures:					
Facilities acquisition	-	-	1,817,349	172,178	1,989,527
Long-term debt:					
Principal	-	4,265,000	-	-	4,265,000
Interest	-	756,619	-	-	756,619
Fiscal charges	-	16,238	-	-	16,238
AEA flowthrough	781,173	-	-	-	781,173
	781,173	5,037,857	1,817,349	172,178	7,808,557
Total expenditures	17,634,752	5,037,857	1,975,306	1,471,465	26,119,380
Excess (deficiency) of revenues over (under) expenditures	553,227	(3,743,541)	(494,846)	301,076	(3,384,084)

## Exhibit E

PELLA COMMUNITY SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 GOVERNMENTAL FUNDS  
 Year ended June 30, 2009

	General	Debt Service	Capital Projects	Non-major Governmental	Total
Other financing sources (uses):					
General obligation bonds issued	-	3,035,000	-	-	3,035,000
Revenue bonds issued	-	-	2,135,000	-	2,135,000
Operating transfers in	-	711,713	-	-	711,713
Operating transfers out	-	-	(711,713)	-	(711,713)
Total other financing sources	-	3,746,713	1,423,287	-	5,170,000
Net change in fund balances	553,227	3,172	928,441	301,076	1,785,916
Fund balances beginning of year	1,604,523	95,166	1,800,390	626,809	4,126,888
Fund balances end of year	\$ 2,157,750	98,338	2,728,831	927,885	5,912,804

See notes to financial statements.

PELLA COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES -  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 Year ended June 30, 2009

**Net change in fund balances - total governmental funds (Exhibit E)** **\$ 1,785,916**

***Amounts reported for governmental activities in the  
 Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 1,946,022	
Depreciation expense	<u>(1,251,122)</u>	694,900

Proceeds from issuing long-term liabilities provide current financial resources to government funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. The amounts of long-term liabilities issued and repaid are as follows:

Issued	\$ (5,170,000)	
Repaid	<u>4,265,000</u>	(905,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

7,136

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	\$ 47,223	
Compensated absences	(63,358)	
Other postemployment benefits	<u>(74,786)</u>	(90,921)

**Change in net assets of governmental activities (Exhibit B)** **\$ 1,492,031**

See notes to financial statements.

PELLA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2009

	<u>Non-major Enterprise Funds</u>
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 230,327
Inventories	32,124
Prepaid expense	5,420
Total current assets	<u>267,871</u>
Noncurrent assets:	
Property and equipment:	
Machinery and equipment	964,199
Accumulated depreciation	<u>(713,077)</u>
Total noncurrent assets	<u>251,122</u>
<b>Total assets</b>	<u><u>\$ 518,993</u></u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	\$ 4,706
Salaries and benefits payable	17,224
Compensated absences	880
Total current liabilities	<u>22,810</u>
Noncurrent liabilities:	
Other postemployment benefits	<u>7,147</u>
<b>Total liabilities</b>	<u>29,957</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	251,122
Unrestricted	<u>237,914</u>
<b>Total net assets</b>	<u>489,036</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 518,993</u></u>

See notes to financial statements.

PELLA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2009

	<u>Non-major Enterprise Funds</u>
Operating revenue:	
Local sources:	
Operating revenues	<u>\$ 747,679</u>
Operating expenses:	
Non-instructional programs:	
Community service operations:	
Other	55,407
Food service operations:	
Depreciation	36,394
Other	891,691
Total operating expenses	<u>983,492</u>
Operating loss	<u>(235,813)</u>
Non-operating revenue:	
Local sources	27,514
State sources	10,629
Federal sources	273,010
Total non-operating revenue	<u>311,153</u>
Net income	75,340
Net assets beginning of year	<u>413,696</u>
Net assets end of year	<u><u>\$ 489,036</u></u>

See notes to financial statements.

PELLA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2009

	Non-major Enterprise Funds
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 713,879
Cash received from service tuition, fees and other sources	33,800
Cash payments to employees for services	(473,855)
Cash payments to suppliers for goods or services	(406,209)
Net cash used by operating activities	<u>(132,385)</u>
Cash flows from non-capital financing activities:	
Operating grants and contributions received	25,963
State grants received	11,023
Federal grants received	207,065
Net cash provided by non-capital financing activities	<u>244,051</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(2,944)
Net cash used by capital and related financing activities	<u>(2,944)</u>
Cash flows from investing activities:	
Interest on investments	1,551
Net cash provided by investing activities	<u>1,551</u>
Net increase in cash and cash equivalents	110,273
Cash and cash equivalents at beginning of year	<u>85,054</u>
Cash and cash equivalents at end of year	<u><u>\$ 195,327</u></u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (235,813)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities	65,945
Depreciation	36,394
(Increase) in inventories	(10,958)
Increase in accounts payable	3,046
Increase in salaries and benefits payable	974
Increase in compensated absences payable	880
Increase in other postemployment benefits payable	7,147
Net cash used by operating activities	<u><u>\$ (132,385)</u></u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash and investments	\$ 230,327
Less items not meeting definition of cash equivalents:	
Certificates of deposit	(35,000)
Cash and cash equivalents at year end	<u><u>\$ 195,327</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received federal commodities valued at \$65,945.

See notes to financial statements.

PELLA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2009

	Private Purpose Trust	Expendable Trust
	Scholarship	Special Projects
<b>Assets</b>		
Current assets:		
Cash and pooled investments	\$ 103,544	90,296
<b>Total assets</b>	<u>103,544</u>	<u>90,296</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	-	11,802
<b>Total liabilities</b>	<u>-</u>	<u>11,802</u>
<b>Net assets</b>		
Held in trust for scholarships and special projects	<u>103,544</u>	<u>78,494</u>
<b>Total net assets</b>	<u><u>\$ 103,544</u></u>	<u><u>78,494</u></u>

See notes to financial statements.



PELLA COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2009

	Private Purpose Trust	Expendable Trust
	Scholarship	Special Projects
Additions:		
Local sources:		
Contributions and donations	\$ -	68,449
Interest	2,684	-
Total revenues	<u>2,684</u>	<u>68,449</u>
Deductions:		
Instruction:		
Services	-	225
Supplies	-	61,128
Property	-	-
Other	6,600	-
Total expenditures	<u>6,600</u>	<u>61,353</u>
Change in net assets	(3,916)	7,096
Net assets beginning of year	<u>107,460</u>	<u>71,398</u>
Net assets end of year	<u>\$ 103,544</u>	<u>78,494</u>

See notes to financial statements.

PELLA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

**(1) Summary of Significant Accounting Policies**

Pella Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. The geographic area served includes the City of Pella, Iowa. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Pella Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Pella Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Marion County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

PELLA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The District has the following funds:

**Governmental Fund Types:** Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

PELLA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Physical Plant and Equipment Levy (PPEL) Fund: This fund is authorized by Iowa Code 298.2 and accounts for transactions related to the improvement of facilities and grounds, construction of school houses, certain equipment expenditures and other expenditures authorized in Iowa Code 298.3.

**Proprietary Fund Types:** Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise funds of the District are considered non-major:

Community Services: This fund accounts for child after school operations and for community-family service operations authorized by Iowa Code 298A.12 and 279.49.

Nutrition Services: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

**Fiduciary Fund Types:** Fiduciary funds account for assets held by the District in a trustee or agency capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund types:

Private Purpose Trust Fund: These funds account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

Expendable Trust Fund: These funds account for assets held by the District for special projects of the District with funds given by individuals, private organizations and other governments.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

PELLA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

# PELLA COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Property Tax Receivable – Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expense when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	1,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

PELLA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax receivable.

Unearned revenue on the Statement of Net Assets consists of unspent grant proceeds as well as the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures exceeded the amounts budgeted in the non-instructional functional area.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

PELLA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 711,713
		<u>\$ 711,713</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.



PELLA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

(4) Capital Assets

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,690,900	-	-	1,690,900
Construction in progress	23,215	1,595,020	23,215	1,595,020
Total capital assets not being depreciated	1,714,115	1,595,020	23,215	3,285,920
Capital assets being depreciated:				
Buildings	33,097,839	75,922	-	33,173,761
Improvements other than buildings	1,547,485	22,898	-	1,570,383
Furniture and equipment	9,496,627	275,397	2,864	9,769,160
Total capital assets being depreciated	44,141,951	374,217	2,864	44,513,304
Less accumulated depreciation for:				
Buildings	7,563,112	760,092	-	8,323,204
Improvements other than buildings	519,228	66,246	-	585,474
Furniture and equipment	7,812,684	424,784	2,864	8,234,604
Total accumulated depreciation	15,895,024	1,251,122	2,864	17,143,282
Total capital assets being depreciated, net	28,246,927	(876,905)	-	27,370,022
Governmental activities capital assets, net	\$ 29,961,042	718,115	23,215	30,655,942
<b>Business type activities:</b>				
Furniture and equipment	\$ 961,255	2,944	-	964,199
Less accumulated depreciation	676,683	36,394	-	713,077
Business type activities capital assets, net	\$ 284,572	(33,450)	-	251,122

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 611,782
Special education	58,186
Other	36,366

Support services:

Student support	8,190
Instructional staff	63,501
Administration	7,324
Operation and maintenance of plant	58,181
Transportation	227,671
Non-instructional programs	56,276

Unallocated

Total depreciation expense - governmental activities	\$ 1,251,122
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Business type activities:

Food services	\$ 36,394
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PELLA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

(5) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 15,805,000	3,035,000	4,095,000	14,745,000	985,000
Revenue bonds	1,120,000	2,135,000	170,000	3,085,000	475,000
Early retirement	432,041	117,677	166,746	382,972	164,900
Other postemployment benefits	-	74,786	-	74,786	-
	<u>\$ 17,357,041</u>	<u>5,362,463</u>	<u>4,431,746</u>	<u>18,287,758</u>	<u>1,624,900</u>

General Obligation Bonds

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

Bond Issue of June 1, 2005				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2010	4.00%	\$ 510,000	575,675	1,085,675
2011	4.00%	535,000	555,275	1,090,275
2012	4.00%	560,000	533,875	1,093,875
2013	4.00%	590,000	511,475	1,101,475
2014	4.00%	680,000	487,875	1,167,875
2015	4.00%	715,000	460,675	1,175,675
2016	4.00%	750,000	432,075	1,182,075
2017	4.50%	775,000	402,075	1,177,075
2018	4.50%	810,000	367,200	1,177,200
2019	4.50%	850,000	330,750	1,180,750
2020	5.00%	885,000	292,500	1,177,500
2021	5.00%	925,000	248,250	1,173,250
2022	5.00%	970,000	202,000	1,172,000
2023	5.00%	1,015,000	153,500	1,168,500
2024	5.00%	1,065,000	102,750	1,167,750
2025	4.50%	1,100,000	49,500	1,149,500
Subtotal		<u>12,735,000</u>	<u>5,705,450</u>	<u>18,440,450</u>

Refunding Bond Issue of November 1, 2008				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2010	3.73%	\$ 475,000	74,973	549,973
2011	3.73%	495,000	57,256	552,256
2012	3.73%	510,000	38,792	548,792
2013	3.73%	530,000	19,769	549,769
Subtotal		<u>2,010,000</u>	<u>190,790</u>	<u>2,200,790</u>

PELLA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

General Obligation Bonds (continued)

Total			
Year ending June 30,	Principal	Interest	Total
2010	\$ 985,000	650,648	1,635,648
2011	1,030,000	612,531	1,642,531
2012	1,070,000	572,667	1,642,667
2013	1,120,000	531,244	1,651,244
2014	680,000	487,875	1,167,875
2015	715,000	460,675	1,175,675
2016	750,000	432,075	1,182,075
2017	775,000	402,075	1,177,075
2018	810,000	367,200	1,177,200
2019	850,000	330,750	1,180,750
2020	885,000	292,500	1,177,500
2021	925,000	248,250	1,173,250
2022	970,000	202,000	1,172,000
2023	1,015,000	153,500	1,168,500
2024	1,065,000	102,750	1,167,750
2025	1,100,000	49,500	1,149,500
Total	\$ 14,745,000	5,896,240	20,641,240

# PELLA COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS June 30, 2009

### Revenue Bonds

Details of the District's June 30, 2009 local option sales and services tax revenue bonded indebtedness are as follows:

Bond Issue of June 1, 1997				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2010	3.60%	\$ 175,000	35,012	210,012
2011	3.60%	180,000	28,713	208,713
2012	3.60%	190,000	22,232	212,232
2013	3.75%	200,000	15,393	215,393
2014	3.85%	205,000	7,892	212,892
	Subtotal	950,000	109,242	1,059,242

Bond Issue of May 1, 2009				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2010	2.000%	\$ 300,000	69,705	369,705
2011	2.300%	400,000	53,750	453,750
2012	2.750%	425,000	44,550	469,550
2013	3.125%	490,000	32,862	522,862
2014	3.375%	520,000	17,550	537,550
	Subtotal	2,135,000	218,417	2,353,417

Total				
Year ending June 30,		Principal	Interest	Total
2010		\$ 475,000	104,717	579,717
2011		580,000	82,463	662,463
2012		615,000	66,782	681,782
2013		690,000	48,255	738,255
2014		725,000	25,442	750,442
Total		\$ 3,085,000	327,659	3,412,659

The District has pledged future local option (statewide) sales and services tax revenues to repay the \$1,750,000 bonds issued in June, 1997. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$1,059,242. For the current year, principal of \$170,000 and interest of \$40,963 was paid on the bonds.

The District has pledged future local option (statewide) sales and services tax revenues to repay the \$2,135,000 bonds issued in May, 2009. The bonds were issued for the purpose of defraying a portion of the cost of school infrastructure. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2014. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$2,353,417. For the current year, no principal or interest was paid.

Total local option (statewide) sales and services tax revenues were \$1,462,011.

PELLA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$175,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

The early retirement incentive for each eligible employee is based on a percentage of the employee's final year's salary. The percentage used for calculation is based on years of service to the District. The percentage varies from 38% for 10 years of service to 57% for 15 or more years of experience.

Early retirement benefits are paid monthly over the number of months until the employee turns 65. If the retiree is of an age that these monthly payments would exceed 36 months, the retiree may request payment over 36 months.

At June 30, 2009, the District has obligations to 22 participants with a total liability of \$382,972. Actual early retirement expenditures for the year ended June 30, 2009 totaled \$166,746.

**(6) Other Post-Employment Benefits (OPEB)**

The District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits other Than Pensions* during the year ended June 30, 2009.

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 709 active and 56 retired members in the plan. Participants must be age 55 or older at retirement and must have been employed full time by the District for a minimum of 10 years within the 12 consecutive years prior to the retirement year.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

# PELLA COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2009

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 121,981
Contributions made	(40,048)
Increase in net OPEB obligation	81,933
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$ 81,933</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2009.

The required contribution is based on projected pay-as-you-go financing. For fiscal year 2009, the District contributed \$40,048. Retiree and active members receiving benefits contributed \$227,759 through their required contribution for single and family health coverage combined, depending on which of the two plans offered by the District the employee participated in.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 121,981	32.8%	\$ 81,933

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$835,783, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$835,783. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$11,754,674, and the ratio of the UAAL to covered payroll was 7.1%. As of June 30, 2009, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

PELLA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 0.5% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$295 per month for retirees who have attained age 65. The salary increase rate was assumed to be 2.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$763,693, \$695,806, and \$598,773, respectively, equal to the required contributions for each year.

**(8) Risk Management**

Pella Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$781,173 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

PELLA COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

**(10) Construction Commitment**

The District is involved in the following remodeling projects: the athletic complex, an addition at the High School, the High School parking lot and a district-wide heating and cooling energy savings project. The projected total cost of all projects is \$4,446,070. As of June 30, 2009 costs of \$1,595,020 had been incurred. The balance of \$2,851,050 remaining at June 30, 2009 will be paid as work progresses.

Project	Projected Cost	Costs Incurred
Athletic complex	\$ 1,975,000	146,810
High School addition	1,304,000	1,030,897
High School parking lot	119,330	9,543
Heating and cooling energy savings	1,047,740	407,770
	<u>\$ 4,446,070</u>	<u>1,595,020</u>

**(11) Restatement**

The total beginning net assets of governmental activities were decreased by \$1,283,402. This was due to a revision in the calculation of capital assets amounts.

**(12) Subsequent Event**

On October 8, 2009, Governor Chet Culver announced a 10 percent across-the-board cut to state general fund appropriations effective immediately. The cut is a reduction of approximately \$238.5 million to Iowa schools and approximately \$800,000 to the Iowa Department of Education. What this will mean to Iowa school districts is still unfolding.



### **Required Supplementary Information**

PELLA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	\$ -	\$ 835,783	\$ 835,783	0.0%	\$ 11,754,674	7.1%

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

PELLA COMMUNITY SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 11,487,228	775,193	12,262,421	12,047,583	12,047,583	214,838
Intermediate sources	41,897	-	41,897	15,000	15,000	26,897
State sources	10,489,005	10,629	10,499,634	10,845,698	10,845,698	(346,064)
Federal sources	717,166	273,010	990,176	564,500	564,500	425,676
Total revenues	22,735,296	1,058,832	23,794,128	23,472,781	23,472,781	321,347
Expenditures:						
Instruction	12,658,651	-	12,658,651	13,018,000	13,018,000	359,349
Support services	5,652,172	-	5,652,172	6,115,200	6,115,200	463,028
Noninstructional programs	-	983,492	983,492	955,000	955,000	(28,492)
Other expenditures	7,808,557	-	7,808,557	3,745,790	8,020,192	211,635
Total expenditures	26,119,380	983,492	27,102,872	23,833,990	28,108,392	1,005,520
Excess (deficiency) of revenues over (under) expenditures	(3,384,084)	75,340	(3,308,744)	(361,209)	(4,635,611)	1,326,867
Other financing sources, net	5,170,000	-	5,170,000	2,000	5,170,000	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,785,916	75,340	1,861,256	(359,209)	534,389	1,326,867
Balances beginning of year	4,126,888	413,696	4,540,584	3,374,804	3,374,804	1,165,780
Balances end of year	\$ 5,912,804	489,036	6,401,840	3,015,595	3,909,193	2,492,647

See accompanying independent auditor's report.

PELLA COMMUNITY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING  
Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$4,274,402.

During the year ended June 30, 2009, expenditures exceeded the amounts budgeted in the non-instructional functional area.

## **Other Supplementary Information**

PELLA COMMUNITY SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2009

	Special Revenue Funds			
	Management	Student Activity	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments	\$ 396,305	180,981	541,692	1,118,978
Receivables:				
Property tax:				
Current year delinquent	3,262	-	3,933	7,195
Succeeding year	499,997	-	637,741	1,137,738
Accounts	-	5,611	-	5,611
Due from other governments	8	-	10	18
<b>Total assets</b>	<b>\$ 899,572</b>	<b>186,592</b>	<b>1,183,376</b>	<b>2,269,540</b>
<b>Liabilities and Fund Equity</b>				
Liabilities:				
Accounts payable	\$ 224	4,107	34,277	38,608
Salaries and benefits payable	-	409	-	409
Early retirement	164,900	-	-	164,900
Deferred revenue:				
Succeeding year property tax	499,997	-	637,741	1,137,738
Total liabilities	665,121	4,516	672,018	1,341,655
Fund balances:				
Unreserved, undesignated	234,451	182,076	511,358	927,885
<b>Total liabilities and fund equity</b>	<b>\$ 899,572</b>	<b>186,592</b>	<b>1,183,376</b>	<b>2,269,540</b>

See accompanying independent auditor's report.

## Schedule 2

PELLA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2009

		Special Revenue Funds		
			Physical Plant and Equipment Levy	Total
		Management	Student Activity	
Revenues:				
Local sources:				
Local tax:				
Property tax	\$	468,992	-	603,162
Utility tax replacement excise tax		5,739	-	6,660
Mobile home tax		385	-	447
		475,116	-	610,269
Other local sources:				
Interest on investments		-	2,450	582
Student activities		-	542,556	-
Contributions and donations		-	77,225	-
Other		37,430	20,165	6,321
		37,430	642,396	6,903
		512,546	642,396	617,172
State sources:				
Revenue in lieu of taxes - military credit		197	-	230
Total revenues		512,743	642,396	617,402
Expenditures:				
Instruction:				
Regular instruction:				
Salaries		153,181	-	-
Benefits		75,965	-	-
Services		1,000	-	-
Property		-	-	7,150
		230,146	-	7,150
Co-curricular instruction:				
Salaries		-	11,130	-
Benefits		-	984	-
Services		-	305,975	-
Supplies		-	274,151	-
Property		-	14,408	-
Other		-	4,402	-
		-	611,050	-
Total instruction		230,146	611,050	7,150
Support Services:				
Student support services:				
Benefits		1,160	-	-
Instructional staff support services:				
Benefits		696	-	-

PELLA COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2009

	Special Revenue Funds			
	Management	Student Activity	Physical Plant and Equipment Levy	Total
Expenditures (continued):				
Support Services (continued):				
General administration:				
Benefits	464	-	-	464
Services	1,943	-	-	1,943
	<u>2,407</u>	<u>-</u>	<u>-</u>	<u>2,407</u>
Building administration:				
Benefits	3,712	-	-	3,712
Business administration:				
Benefits	696	-	-	696
Administration technology services:				
Services	-	-	33,560	33,560
Supplies	-	-	84,946	84,946
Property	-	-	127,455	127,455
	<u>-</u>	<u>-</u>	<u>245,961</u>	<u>245,961</u>
Plant operation and maintenance:				
Benefits	67,250	-	-	67,250
Services	74,794	-	-	74,794
Property	-	-	13,402	13,402
	<u>142,044</u>	<u>-</u>	<u>13,402</u>	<u>155,446</u>
Student transportation:				
Benefits	25,346	-	-	25,346
Services	15,517	-	-	15,517
	<u>40,863</u>	<u>-</u>	<u>-</u>	<u>40,863</u>
Total support services	<u>191,578</u>	<u>-</u>	<u>259,363</u>	<u>450,941</u>
Other expenditures:				
Facilities acquisition and construction:				
Services	-	-	171,612	171,612
Other	-	-	566	566
	<u>-</u>	<u>-</u>	<u>172,178</u>	<u>172,178</u>
Total expenditures	<u>421,724</u>	<u>611,050</u>	<u>438,691</u>	<u>1,471,465</u>
Excess of revenues over expenditures	91,019	31,346	178,711	301,076
Fund balances beginning of year	143,432	150,730	332,647	626,809
Fund balances end of year	<u>\$ 234,451</u>	<u>182,076</u>	<u>511,358</u>	<u>927,885</u>

See accompanying independent auditor's report.



PELLA COMMUNITY SCHOOL DISTRICT  
COMBINING STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2009

		Non-major Enterprise Funds		
		Community Services	Nutrition Services	Total
<b>Assets</b>				
Current assets:				
Cash and investments	\$	12,525	217,802	230,327
Inventories		-	32,124	32,124
Prepaid expense		-	5,420	5,420
Total current assets		12,525	255,346	267,871
Noncurrent assets:				
Property and equipment:				
Machinery and equipment		-	964,199	964,199
Accumulated depreciation		-	(713,077)	(713,077)
Total noncurrent assets		-	251,122	251,122
<b>Total assets</b>	<b>\$</b>	<b>12,525</b>	<b>506,468</b>	<b>518,993</b>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$	40	4,666	4,706
Salaries and benefits payable		-	17,224	17,224
Compensated absences		-	880	880
Total current liabilities		40	22,770	22,810
Noncurrent liabilities:				
Other postemployment benefits		511	6,636	7,147
<b>Total liabilities</b>		<b>551</b>	<b>29,406</b>	<b>29,957</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt		-	251,122	251,122
Unrestricted		11,974	225,940	237,914
<b>Total net assets</b>		<b>11,974</b>	<b>477,062</b>	<b>489,036</b>
<b>Total liabilities and net assets</b>	<b>\$</b>	<b>12,525</b>	<b>506,468</b>	<b>518,993</b>

See accompanying independent auditor's report.

PELLA COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2009

	Non-major Enterprise Funds		
	Community Services	Nutrition Services	Total
Operating revenues:			
Local sources:			
Other local sources:			
Community service tuition and fees	\$ 32,051	-	32,051
Sale of lunches and breakfasts	-	713,879	713,879
Other service revenue	-	1,749	1,749
Total operating revenues	32,051	715,628	747,679
Operating expenses:			
Non-instructional programs:			
Community service operations:			
Salaries	30,710	-	30,710
Benefits	5,035	-	5,035
Services	1,754	-	1,754
Supplies	17,908	-	17,908
	55,407	-	55,407
Food services operations:			
Salaries	-	336,247	336,247
Benefits	-	110,864	110,864
Services	-	12,526	12,526
Supplies	-	431,897	431,897
Other	-	157	157
Depreciation	-	36,394	36,394
	-	928,085	928,085
Total operating expenses	55,407	928,085	983,492
Operating loss	(23,356)	(212,457)	(235,813)
Non-operating revenues:			
Interest income	-	1,551	1,551
Operating grants and donations	25,896	67	25,963
State lunch and breakfast program claims	-	10,629	10,629
National School Lunch Program	-	187,002	187,002
School Breakfast Program	-	20,063	20,063
Food distribution	-	65,945	65,945
Total non-operating revenues	25,896	285,257	311,153
Net income	2,540	72,800	75,340
Net assets beginning of year	9,434	404,262	413,696
Net assets end of year	\$ 11,974	477,062	489,036

See accompanying independent auditor's report.

PELLA COMMUNITY SCHOOL DISTRICT  
COMBINING STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2009

	Non-major Enterprise Funds		
	Community Services	Nutrition Services	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ -	713,879	713,879
Cash received from service tuition, fees and other sources	32,051	1,749	33,800
Cash payments to employees for services	(35,234)	(438,621)	(473,855)
Cash payments to suppliers for goods or services	(19,622)	(386,587)	(406,209)
Net cash used by operating activities	(22,805)	(109,580)	(132,385)
Cash flows from non-capital financing activities:			
Operating grants and contributions	25,896	67	25,963
State grants received	-	11,023	11,023
Federal grants received	-	207,065	207,065
Net cash provided by operating activities	25,896	218,155	244,051
Cash flows from capital and related financing activities:			
Acquisition of capital assets	-	(2,944)	(2,944)
Net cash used by capital and related financing activities	-	(2,944)	(2,944)
Cash flows from investing activities:			
Interest on investments	-	1,551	1,551
Net cash provided by investing activities	-	1,551	1,551
Net increase in cash and cash equivalents	3,091	107,182	110,273
Cash and cash equivalents at beginning of year	9,434	75,620	85,054
Cash and cash equivalents at end of year	\$ 12,525	182,802	195,327
<b>Reconciliation of operating loss to net cash used by operating activities:</b>			
Operating loss	\$ (23,356)	(212,457)	(235,813)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Commodities	-	65,945	65,945
Depreciation	-	36,394	36,394
(Increase) in inventories	-	(10,958)	(10,958)
Increase in accounts payable	40	3,006	3,046
Increase in salaries and benefits payable	-	974	974
Increase in compensated absences payable	-	880	880
Increase in other postemployment benefits payable	511	6,636	7,147
Net cash used by operating activities	\$ (22,805)	(109,580)	(132,385)

PELLA COMMUNITY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2009

Non-major Enterprise Funds		
Community Services	Nutrition Services	Total
\$ 12,525	217,802	230,327
	(35,000)	(35,000)
\$ 12,525	182,802	195,327

**Reconciliation of cash and cash equivalents at  
 year end to specific assets included on Combined  
 Balance Sheet:**

Current assets:

Cash and investments

\$ 12,525 217,802 230,327

Less items not meeting definition of cash equivalents:

Certificates of deposit

- (35,000) (35,000)

Cash and cash equivalents at year end

\$ 12,525 182,802 195,327

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received federal commodities valued at \$65,945.

See accompanying independent auditor's report.

PELLA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN INDIVIDUAL STUDENT ACTIVITY ACCOUNTS  
Year ended June 30, 2009

Account	Balance Beginning of Year	Transfers In (Out)	Revenues	Expendi- tures	Balance End of Year
Booster/PTO Concessions	\$ 499	200	60,975	60,933	741
HS Drama	-	3,157	941	3,780	318
HS Musical	-	(2,247)	5,207	2,960	-
HS Speech	184	(1,185)	11,891	8,024	2,866
HS Debate	-	425	730	1,155	-
HS Vocal	8,292	200	42,391	48,181	2,702
HS Instr. Music	7,559	2,887	6,609	9,260	7,795
HS Instr. Music Fundraiser	4,006	100	1,636	-	5,742
Orchestra Trip Account	(2,000)	-	19,691	17,636	55
Orchestra	169	654	10	733	100
Vocal Music Trip Account	3,314	100	25,192	21,908	6,698
Band Uniform	4,984	200	11,936	5,155	11,965
Athletics	(2,293)	(4,103)	16,806	10,571	(161)
HS Boys Bask.	-	(4,634)	11,866	7,232	-
HS Football	-	(4,362)	64,734	60,372	-
HS Boys Soccer	-	2,523	4,407	6,930	-
HS Baseball	118	10,703	6,687	17,508	-
HS Track	-	1,877	1,750	3,627	-
HS Boys Cross Country	-	1,416	2,329	3,745	-
HS Boys Tennis	17	495	1,178	1,690	-
HS Boys Golf	-	862	127	989	-
HS Wrestling	-	(34)	3,674	3,640	-
HS Girls Basketball	-	(5,389)	18,478	13,089	-
HS Volleyball	-	2,350	7,988	10,338	-
HS Girls Soccer	-	3,235	5,973	9,208	-
HS Softball	510	1,590	2,814	4,914	-
HS Girls Track	-	90	3,333	3,423	-
HS Girls Cross Country	-	1,671	2,033	3,704	-
HS Girls Tennis	-	1,166	743	1,909	-
HS Girls Golf	-	812	-	812	-
HS Activity Tickets	-	(17,085)	17,085	-	-
HS Miscellaneous Activity	3,478	(706)	2,843	647	4,968
Girls Soccer Club	1,444	-	7,126	7,936	634
Girls Track Club	508	(537)	3,171	2,372	770
Boys Track Club	-	-	1,088	907	181
Boys Soccer Club	3,832	-	10,354	10,769	3,417
Boys Golf Club	7	-	400	400	7
Swimming Club	375	-	625	628	372
Pella Connection Club	3,050	-	378	-	3,428
HS Cheerleaders	5,861	(964)	8,488	7,393	5,992
HS Vending	830	37	7,077	7,962	(18)
HS Testing	3,159	-	5,641	2,816	5,984
Class of 2007	74	-	-	-	74
Class of 2009	42	-	300	267	75
Class of 2010	3,381	135	2,346	5,862	-
Class of 2011	1,647	-	1,098	-	2,745
Class of 2012	-	-	1,435	-	1,435
Softball Concessions	4,360	(588)	13,775	18,668	(1,121)
Baseball Concessions	274	(1,850)	2,570	432	562
Boys Basketball Concessions	2,879	-	8,430	7,466	3,843
Girls Golf Concessions	61	-	80	60	81
Drill Team	1,548	79	25,295	25,468	1,454

PELLA COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN INDIVIDUAL STUDENT ACTIVITY ACCOUNTS  
 Year ended June 30, 2009

Account	Balance Beginning of Year	Transfers In (Out)	Revenues	Expendi- tures	Balance End of Year
Drill Team Fundraiser	-	121	-	121	-
FFA	7,392	(98)	27,877	26,511	8,660
FHA	2,680	100	1,752	2,390	2,142
Humanities	645	-	-	-	645
Interest	1,593	(3,001)	2,450	159	883
Technology Student Association	9,018	200	5,387	6,860	7,745
National Honor Society	418	100	-	188	330
Pep Club	406	-	-	-	406
HS PE Heart Club	869	400	1,300	1,073	1,496
Science Club	-	18	412	430	-
French Club	1,571	-	293	252	1,612
HS Student Council	619	400	912	1,629	302
Publications	40,137	250	56,233	42,871	53,749
Craft Show-Yearbook	1,199	-	-	1,010	189
HS Weight Club	1,631	-	23	-	1,654
HS Football Jerseys	1,474	-	8,820	85	10,209
Football Parents	329	-	14,952	13,381	1,900
Wrestling Club	2,444	-	-	1,893	551
Girls Basketball Club	149	-	5,333	4,195	1,287
Volleyball Club	-	-	4,499	4,188	311
MS Vocal Music	2,022	100	1,689	1,494	2,317
MS Instrumental Music	1,296	100	1,358	1,259	1,495
MS Cross Country	-	40	-	40	-
MS Athletics	-	5,421	-	5,669	(248)
MS Boys Basketball	-	(1,402)	2,444	1,042	-
MS Football	-	3,585	1,589	5,174	-
MS Boys Track	-	174	1,146	1,320	-
MS Wrestling	-	696	330	1,026	-
MS Girls Basketball	-	(659)	1,602	943	-
MS Volleyball	-	(477)	2,102	1,625	-
MS Softball	160	1,415	240	1,815	-
MS Girls Track	-	810	60	870	-
MS Activity Tickets	-	(1,573)	1,573	-	-
MS Cheerleaders	1,372	-	777	1,024	1,125
MS Library/Book Fair	147	-	2,610	2,660	97
MS History Day Club	21	-	-	-	21
MS Gifted and Talented	665	-	35	-	700
MS Activity	3,454	-	11,474	11,114	3,814
MS Home Ec	2,515	-	912	2,028	1,399
MS Language Arts	267	-	-	-	267
MS Social Studies	304	-	-	-	304
MS AR Store	69	-	-	-	69
MS Student Council	2,198	-	793	1,476	1,515
Elementary PTO	80	-	50	-	130
Lincoln Elementary	346	-	3,774	3,868	252
Madison Elementary	308	-	6,963	7,143	128
Jefferson Elementary	763	-	8,852	8,745	870
Jefferson Recycling	-	-	46	-	46
Totals	\$ 150,730	-	642,396	611,050	182,076

See accompanying independent auditor's report.

PELLA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis							
	2009	2008	2007	2006	2005	2004	2003	2002
Revenues:								
Local sources:								
Local tax	\$ 9,924,433	8,759,431	8,331,502	8,227,665	7,744,098	7,073,282	6,725,009	6,600,191
Tuition	614,100	498,004	623,795	592,952	601,419	489,605	201,329	216,030
Other	948,695	1,041,828	1,358,267	1,501,637	755,499	672,917	1,207,656	996,648
Intermediate sources	41,897	18,785	37,523	18,082	15,000	15,000	18,428	15,309
State sources	10,489,005	10,318,253	9,168,676	8,531,765	7,999,448	7,781,624	7,426,618	7,481,658
Federal sources	717,166	477,670	424,983	521,521	430,845	446,378	344,089	263,894
Total	<u>\$ 22,735,296</u>	<u>21,113,971</u>	<u>19,944,746</u>	<u>19,393,622</u>	<u>17,546,309</u>	<u>16,478,806</u>	<u>15,923,129</u>	<u>15,573,730</u>
Expenditures:								
Instruction:								
Regular	\$ 8,052,519	7,476,168	6,830,022	6,329,880	6,275,810	6,321,718	6,025,245	6,176,546
Special	2,332,868	2,344,069	2,028,208	1,781,523	2,183,808	2,062,595	1,859,024	1,706,911
Other	2,273,264	2,001,692	1,961,808	1,922,355	1,207,063	1,285,721	1,483,823	1,279,078
Support services:								
Student	412,003	386,123	302,002	306,129	325,470	499,204	484,767	444,537
Instructional staff	661,268	753,039	762,889	809,570	794,337	677,684	628,426	624,769
Administration	1,737,873	1,634,630	1,462,779	1,643,583	1,284,737	1,136,764	1,103,990	1,041,328
Operation and maintenance of plant	1,809,861	1,847,350	1,706,062	1,675,658	1,489,740	1,639,083	1,383,316	1,284,975
Transportation	1,031,167	1,113,573	1,130,895	1,028,477	693,693	699,316	553,744	603,798
Non-instructional programs	-	-	-	-	296	16,086	11,350	7,467
Other expenditures:								
Facilities acquisition	1,989,527	2,849,534	9,094,847	4,020,376	1,760,941	597,119	361,383	354,533
Long-term debt:								
Principal	4,265,000	1,170,000	1,115,000	1,070,000	995,000	805,000	770,000	935,000
Interest and other charges	772,857	833,430	891,941	931,550	386,050	368,831	403,278	450,694
AEA flowthrough	781,173	732,846	660,488	610,764	586,232	592,881	604,874	608,706
Total	<u>\$ 26,119,380</u>	<u>23,142,454</u>	<u>27,946,941</u>	<u>22,129,865</u>	<u>17,983,177</u>	<u>16,702,002</u>	<u>15,673,220</u>	<u>15,518,342</u>

See accompanying independent auditor's report.

PELLA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 09	20,063
National School Lunch Program	10.555	FY 09	252,947
			<u>273,010</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 09	170,934
Vocational Education - Basic Grants to States	84.048	FY 09	31,320
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY 09	5,493
Special Education - State Program Improvement Grants for Children with Disabilities	84.323	FY 09	452
Improving Teacher Quality State Grants	84.367	FY 09	69,205
Grants for State Assessments and Related Activities	84.369	FY 09	14,554
ARRA - Title I Grants to Local Education Agencies - Recovery Act	84.389	FY 09	11,375
ARRA - Special Education - Grants to States - Recovery Act	84.391	FY 09	69,558
ARRA - State Fiscal Stabilization Fund(SFSF) - Education State Grants, Recovery Act	84.394	FY 09	174,639
Area Education Agency (AEA 11):			
Special Education - Grants to States	84.027	FY 09	125,254
Total			<u>\$ 945,794</u>

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Pella Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
Pella Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Pella Community School District, Pella, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated November 9, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pella Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Pella Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pella Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A *control deficiency* exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects Pella Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Pella Community School District's financial statements that is more than inconsequential will not be prevented or detected by Pella Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Pella Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-09 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pella Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Pella Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Pella Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Pella Community School District and other parties to whom Pella Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Pella Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

November 9, 2009



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**Van Maanen, Sietstra & Meyer, PC**

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance with Requirements Applicable  
to Each Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Board of Education of  
Pella Community School District:

Compliance

We have audited the compliance of Pella Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Pella Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Pella Community School District's management. Our responsibility is to express an opinion on Pella Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pella Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Pella Community School District's compliance with those requirements.

In our opinion, Pella Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Pella Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Pella Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pella Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A *control deficiency* in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-09 to be a material weakness.

Pella Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Pella Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Pella Community School District and other parties to whom Pella Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

November 9, 2009

PELLA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2009

**Part I: Summary of the Independent Auditor's Results**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major programs was disclosed by the audit of the financial statements, which was considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.394 – ARRA-State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recovery Act
  - Clustered programs:
    - CFDA Number 10.553 - School Breakfast Program
    - CFDA Number 10.555 - National School Lunch Program
    - CFDA Number 84.010 - Title I Grants to Local Education Agencies
    - CFDA Number 84.389 - ARRA Title I Grants to Local Education Agencies-Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Pella Community School District did not qualify as a low-risk auditee.

PELLA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2009

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES**

II-A-09 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, expenditures are recorded and checks are prepared by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

**Part III: Findings and Questioned Costs for Federal Awards**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES**

**All programs displayed on the Schedule of Expenditures of Federal Awards:**

III-A-09 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, expenditures are recorded and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

PELLA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2009

**Part IV: Other Findings Related to Required Statutory Reporting**

IV-A-09 Certified Budget - Expenditures for the year ended June 30, 2009, exceeded the certified budget amount in the non-instructional functional area.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

IV-B-09 Questionable Expenditures - No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-09 Business Transactions - No business transactions between the District and District officials or employees were noted.

IV-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

IV-F-09 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-09 Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

IV-H-09 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.

IV-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

PELLA COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2009

IV-J-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	-
Statewide sales and services tax revenue			1,462,011
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$	157,957	
Other improvements		592,341	
Debt service for school infrastructure:			
General obligation debt		480,647	
Revenue debt		231,066	1,462,011
			<hr/>
Ending balance		\$	<hr/> <hr/> -